US Ambassador: US supports Turkey, Israel energy efforts

AA Energy Terminal, *14.10.2016*

The U.S. strongly supports the objective of peace and stability in the Middle East region from the meeting to discuss the proposal to carry Israeli gas to Europe via Turkey between the two energy ministers of both countries who met in Istanbul, John Bass, the U.S. ambassador to Ankara told Anadolu Agency.

Speaking exclusively to Anadolu Agency (AA) at the World Energy Congress (WEC), of which AA is the global communication partner for 2016, Bass said that he was in Istanbul for the congress in part because of the importance of energy for all.

"It is a big piece of our strategic partnership with Turkey to cooperate on energy to promote economic development for both countries and to reinforce the importance of ensuring that all of our NATO allies and partners have access to a diverse set of supply and sources. We believe that is an important part of energy security," Bass explained.

"Seeing so many producing countries, consuming countries, companies involved in upstream, downstream and new technologies, all present in Istanbul is a reflection of how important Turkey is to all of these issues for the next generation," according to Bass.

"On top of that, to see the Israeli energy minister here today with the Turkish energy minister, talking about collaborative projects that will benefit both economies is an indicator of how energy can help promote peace and stability. We strongly support achieving those objectives," Bass said.

Diplomatic ties between Turkey and Israel were disrupted in May 2010 when Israeli commandos killed 10 Turkish activists on an aid ship, the Mavi Marmara, heading for Gaza. Turkey demanded the completion of a number of conditions -- an apology, the payment of compensation and the lifting of Israel's Gaza blockade -- before the return of normal relations. Ankara now considers these terms fulfilled.

Bass commented on the possible gas pipeline project to carry Israeli gas to Europe via Turkey, and cautioned that it would be more important what the concerned companies of the project have to say regarding the commercial viability of the project and whether there is a market for the gas in Europe.

"That is in part a function of supply and demand, it is a function of future economic growth rates in Europe and demand for energy and it is a function of whether other suppliers out there can deliver the product and at what prices. But I think the really important thing is you have got so many people here today talking about the details and the merits of how it might happen," the U.S. ambassador said.

Turkish and Israeli companies are discussing a possible gas pipeline between Israel and Turkey to transport natural gas supplies to Europe from the Leviathan gas field, which holds an estimated 620 billion cubic meters of gas. The prospect of carrying Israeli gas through Turkey topped the agenda on the visit of Israeli energy minister Yuval Steinitz to Istanbul for the 23rd World Energy Congress.

Bass also reiterated the U.S.'s strong commitment to negotiations on the island of Cyprus between all stakeholders to achieve a settlement - in which energy will also play a starring role. "First and foremost, it is important that the parties on the island find an arrangement that is in accordance with a bi-zonal, bi-communal federation. We see lots of opportunities and benefits flowing to both communities if they can achieve that goal," Bass added. Energy cooperation, its access and the use of the energy resources in the economic area around Cyprus would be a key factor to accomplish that goal, he concluded.

Turkey, Israel to set up special dialogue for gas trade

AA Energy Terminal, *13.10.2016*

Turkey and Israel agreed to enter talks in the coming months to discuss a project which will allow the transmission of natural gas from Israeli economic waters through Turkey and onto Europe, Israel's Minister of National Infrastructure, Energy and Water Resources, Yuval Steinitz said on in Istanbul.

Speaking at a press conference on the sidelines of the 23rd World Energy Congress (WEC), of which Anadolu Agency is the global communication partner for 2016, Steinitz expressed his pleasure to be one of the first Israeli ministers to visit Turkey after several years.

"This is a token of the normalization process that just started between our two states, Turkey and Israel. I came here on behalf of the Israeli government and people. I am confident that most people are eager to see peace and stability in the region and good relations and economic cooperation between Turkey and Israel," Steinitz said.

Steinitz said that his recent meeting with Turkey's Energy Minister Albayrak, on the sidelines of the WEC, was fruitful in which they discussed energy and particularly the possibility of building a natural gas pipeline from Israel to Turkey to transfer natural gas to the south of Turkey and onto Europe.

"Of course, we are considering also exporting natural gas to other countries like Jordan which we signed a contract with. Egypt which also has a pipeline going through Cyprus to Greece will be considered, but the Turkish option is very significant," he said.

“Israel discovered approximately 900 billion cubic meters of natural gas so far, but next month, it will open up Israeli economic waters for further explorations. The scientific estimate is that most of the natural gas is yet to be found, which is around another 2.2 trillion cubic meters,” Steinitz said.

“We might end up with approximately 3 trillion cubic meters of natural gas. This is a lot of gas, much more than Israel can consume, and therefore we would like to consider exporting gas both to our neighboring cities, Jordan and Egypt or to Europe through different pipelines,” he said, adding that, “one of the very important options is in connecting Europe through Turkey.”

Israel would welcome Turkish companies’ involvement in the Israeli energy sector and in the exploration of future gas, Steinitz said explaining that many companies already have a presence in Israel.

“We also discussed humanitarian issues of supplying electricity to Palestinians in Gaza and the West Bank. We will continue to discuss this. Israel welcomes any involvement from Turkey in improving the life of the people of Gaza. Of course, we are very careful to keep up security, but the issue of improving life of the Palestinian population in Gaza is not against our interests,” he affirmed.

“If the Turkish government and Turkish companies want to be involved in improving the lives of the people in Gaza, we will do our best in order to enable this,” Steinitz explained. He also reiterated his support for the normalization of ties and diplomatic relations between Israel and Turkey. “I am glad to participate at the Atlantic Council’s Forum in the framework of this important energy conference that is taking place today (Thursday). This is an important moment for Israeli-Turkey relations,” he concluded.

Diplomatic ties between Turkey and Israel were disrupted in May 2010 when Israeli commandos killed 10 Turkish activists on a humanitarian aid ship, the Mavi Marmara, heading for Gaza. Turkey demanded a number of conditions -- an apology, the payment of compensation and the lifting of Israel’s Gaza blockade -- be fulfilled before the return of normal relations. Ankara now considers these terms as fulfilled.

Turkish and Israeli companies are discussing a possible gas pipeline between Israel and Turkey to transport natural gas supplies to Europe from the Leviathan gas field in the Mediterranean Sea off the coast of Israel, which holds an estimated 620 billion cubic meters of gas.

Turkey, Russia strike strategic Turkish Stream gas pipeline deal

Hurriyet Daily News, *10.10.2016*

Turkey and Russia signed the strategic Turkish Stream gas pipeline agreement late on Oct. 10 amid vows by both countries to intensify their relations following a hiatus due to Turkey's downing of a Russian jet in November 2015.

The pipeline will carry Russian natural gas to Turkey and on to Europe under the Black Sea. During the signing ceremony with Russian President Vladimir Putin, Turkish President Recep Tayyip Erdoğan said ministers and experts would continue to hold bilateral talks after the deal, adding that they would also hold talks focusing on the economy, politics, defense, tourism and culture.

"Today has been a full day with President Putin of discussing Russia-Turkish relations ... I have full confidence that the normalization of Turkish-Russian ties will continue at a fast pace," Erdoğan said. The president also said they reached consensus on the acceleration of the process for the Akkuyu nuclear plant, which will be constructed in the Mediterranean province of Mersin.

In addition, Putin also added that the two countries had reached a consensus on a discount in natural gas prices as part of the deal. Putin added that Moscow had lifted restrictions on Turkish citrus exports to Russia.

Erdoğan said they further discussed Syria and the Euphrates Shield Operation in detail as well as strategies and cooperation regarding humanitarian aid to Aleppo. Putin said Moscow was on the same page with Ankara about delivering humanitarian aid to Aleppo.

"Both Russia and Turkey support the end of the bloodshed in Syria," Putin said. "We share the same view that every effort should be made for humanitarian aid to be delivered to Aleppo," he added. "The only issue is the safety of the delivery of humanitarian aid," Putin said.

According to the Russian leader, Moscow and Ankara also agreed to intensify military contacts. The signing of the deal came after a bilateral meeting between Erdoğan and Putin who was in Istanbul to attend the 23rd World Energy Congress.

Russia's Gazprom and Turkey's BOTAŞ in 2014 signed a memorandum of understanding (MoU) for the construction of the Turkish Stream gas pipeline, with a capacity of 63 billion cubic meters (bcm) of gas per year from Russia to Turkey across the Black Sea. However, talks on the project were halted last year after Turkey shot down a Russian air force jet and Moscow retaliated with trade sanctions but since then the two countires have made significant progress to mend relations.

Erdoğan said in August at a joint news conference with his Russian counterpart that building the gas pipeline quickly was a priority. On Sept. 7, Gazprom said it had received first regulatory approvals from Turkey, allowing the project to move into implementation phase.

The meeting of the two leaders marked the third time after bilateral relations were put back on track in August since the jet crisis. This was Putin's first trip to Turkey since a bilateral crisis sparked by Turkey's shooting down of a Russian war plane over Syria last November. He and Erdoğan have met on two occasions since a June deal to normalize ties after the plane crisis - in Putin's home city of Saint Petersburg and then on the sidelines of the G-20 in China.

Earlier, speaking at the 23rd World Energy Congress , Erdoğan had said Ankara was positive about the deal. His remarks came before a bilateral meeting with Russian President Vladimir Putin, who also expressed his belief in the pipeline carrying more Russian gas to Turkey before it reaches Europe.

The president also said Turkey is seeking ways to implement plans for a third nuclear power plant and aims to produce 10 percent of its electricity from nuclear power in the coming years. Russia is currently developing Turkey's first nuclear plant by the Mediterranean.

Putin said the need to develop the Turkish Stream natural gas project had been stressed in his talks with Erdoğan, adding that Russia also actively planned to expand it hydrocarbon exports eastward to China, Japan and India. "Russia will further interact in energy with all interested parties for mutual beneficial partnerships on an equal footing," he added.

Putin went on to say that contrary to the idea of the age of hydrocarbons coming to a close, and although the world hydrocarbon resources had undergone major changes, he believed that "there are no real grounds behind such far reaching conclusions, at least for now." Russia supports efforts to limit oil production and urges other exporters and producers to do the same, Putin said.

"We support the recent OPEC initiative aimed at limiting oil production and we expect that at the OPEC meeting in November this idea will be presented in such a way to send a positive message to markets and investors. Of course this decision will help curb the speculative activity and avoid new price fluctuations," he added.

"Not only producers and exporters, but consumers should also act in a responsible way. Energy security can be safeguarded if we pay attention to others' interests. We stand for firm compliance with the principles of free trade and fair play," Putin said. Meanwhile, also speaking at the event Azerbaijan President Ilham Aliyev said his country's energy investments in Turkey would reach $20 billion.

Aliyev said Azerbaijan and Turkey had built energy infrastructure, such as pipelines, to ensure both countries' energy security. "On a daily basis, Turkey plays a crucial role in the energy security of the region," he added. He signaled that growth in Turkey's prosperity is important not only for Turkey as a leader in defining energy policy in the world, but also for the rest of the world. Aliyev highlighted projects, which have been implemented in Turkey and said Azerbaijan's gas will be delivered to global markets via four projects under the South Gas Corridor totaling $45 billion in value.

He hailed the Trans Anatolian Natural Gas Pipeline (TANAP) as playing a crucial role in providing energy security in the region. “We took the first step for the TANAP in 2012 in Turkey, which is a significant part of the South Gas Corridor, under the leadership of Azerbaijan and Turkey. The TANAP is an important agreement and many countries might become a part of this project,” Aliyev said. He also suggested that projects to transfer Azerbaijan’s oil via Turkey should be stepped up.

Turkey calls on world to share energy for peace

Al Monitor, *05.10.2016*

Energy projects will offer a solution to disputes, the elimination of terrorism and foster global peace in the Middle East as long as the countries share these values for the better-justified partition of resources, Turkey’s Energy Minister Berat Albayrak said.

Speaking at the 23rd World Energy Congress (WEC), of which Anadolu Agency is the global communication partner for 2016, Albayrak stated that problems in the energy field contribute to disputes throughout the world. “No country can secure its energy security without the help and assistance of other countries,” he said.

“In recent years, energy has been a number one item on the agenda of the whole world,” he said, elaborating that politically within any region, there will be energy resources at the center. He asserted that for energy security, a new collaborative approach is required for eliminating conflicts.

Albayrak emphasized that regional stability is important for all countries for the durable, secure and efficient implementation of energy transmission. “Turkey has a geopolitical advantage but also plays a very important role in the transportation of energy throughout the region. The most important problem is ensuring global peace and stability while regulating our energy systems. We see energy as a restorative instrument and, therefore, this will give us [Turkey] an opportunity to improve other qualities in the region,” he stated.

He underlined that Turkey’s interest through energy projects is based on win-win principle. Co-Chair, Chairman and CEO of World Energy Council, Younghoon David Kim, also express his thanks to Turkey’s President Recep Tayyip Erdogan for his leadership and personal support for the World Energy Congress event.

“The Energy sector is undergoing a transition driven by new technology and global environmental challenges. Our industry has a historic opportunity to provide leadership to the new industrial revolution. Let’s us embrace new frontiers of energy together,” he said. The congress is hosted by Turkish Prime Minister Binali Yildirim and Energy and Minister Albayrak.

Saudi Aramco signs deals with 18 Turkish companies

Daily Sabah, 12.10.2016

Saudi Aramco has signed separate memorandums of understanding with 18 Turkish firms, enabling it to bid on projects and improving relations, according to Energy and Natural Resources Minister Berat Albayrak.

Albayrak said the deals, set to be signed today, and a signature ceremony including the Turkish firms, will advance relations between Turkey and Saudi Arabia in the coming months. Recalling the friendship and fellowship between the countries, Albayrak pointed out that relations which have gained momentum since last year are moving forward to a better place.

He noted that July 15 was a very important day for Turkish history and stressed that with its stronger and more unified economy in the aftermath, Turkey has started giving stronger responses to global and regional crises.

Highlighting that Turkey will continue its growth and investments, Energy Minister Albayrak stressed the country's three principles in the field of energy; namely, a project's contribution to both parties, to regional peace and stability, and lastly to the region and Europe in terms of energy supply security.

Expressing his gratitude to Saudi Arabians on the occasion of the signature ceremony, Albayrak noted that as the fastest-growing country in energy after China, Turkey will continue to be a regional force with its trained and educated labor force, diversified and increasingly growing industry and regional dynamics.

Saudi Energy Minister Khalid al-Falih said these memorandums of understanding will generate a legal framework for many capital projects in the near future. Noting that he is pleased with Turkey's growth, Minister al-Falih urged stronger relations between the two countries and stated a desire to work with Turkish firms under the scope of Saudi Arabia's "Vision 2030".

Suggesting that the agreements could be the first step to million-dollar investments in future projects, al-Falih said Turkey and Saudi Arabia are likely to do great things in other countries. Saudi Aramco CEO Amin Nasser said the signed memorandums will help business opportunities between the two countries improve.

Stressing that they are looking forward to working with Turkish firms, Nasser said that Saudi Aramco will continue its efforts to achieve "Saudi Vision 2030". He added that as Saudi Arabia aims to increase its locality rate in energy-related products and services by 2021, this is a great opportunity for Turkey.

The companies signing a memorandum of understanding with Saudi Aramco are: TAV Tepe Akfen Yatırım İnşaat ve İşletme AŞ, Enka İnşaat ve Sanayi AŞ, İlk İnşaat Taahhüt ve Sanayi Ticaret AŞ, Tekfen İnşaat, STFA Deniz İnşaat, Nurol İnşaat ve Ticaret Şirketi, Fernas İnşaat, Yüksel İnşaat, Kolin İnşaat Turizm ve Sanayi Ticaret A.Ş., Yapı Merkezi İnşaat ve Sanayi A.Ş., Dorce İnşaat, Doğuş İnşaat ve Ticaret A.Ş., Üstay Yapı Taahhüt ve Ticaret A.Ş., AGE İnşaat ve Ticaret A.Ş., Taca İnşaat, Zafer Taahhüt ve Ticaret A.Ş., Metag İnşaat ve Ticaret A.Ş., GAP İnşaat Yatırım ve Dış Ticaret A.Ş.

The oil market is a tale of two bonds

Bloomberg, *11.10.2016*

Saudi Arabia and Venezuela would like to sell you some bonds. How well they do at this will tell you everything you need to know about today's oil market. Saudi Arabia will kick off a roadshow on Wednesday to issue perhaps $10 billion or more of sovereign bonds with maturities ranging up to 30 years.

Fellow OPEC member Venezuela, meanwhile, isn't selling government bonds. But its state-owned national oil company, Petroleos de Venezuela, is trying to get existing holders of bonds coming due in November 2017 to swap into new paper maturing later.

Given how heavily Venezuela's government budget relies on oil revenue, this is much the same thing.To put it mildly, bondholders are not exactly lining up around the block to take PDVSA's new bonds. The company was forced last week to extend a deadline for the swap.

It was also sued by ConocoPhillips to prevent the new bonds being backed by a large stake in Citgo Petroleum, PDVSA's U.S. refining and marketing subsidiary.Conoco, like other international oil companies that had assets nationalized when Venezuela was led by Hugo Chavez, sees those Citgo assets as potential compensation and doesn't want them encumbered by a new set of bondholders. PDVSA and Venezuelan government bonds reacted accordingly last week.

Saudi Arabia, meanwhile, isn't exactly the picture of fiscal health. Its foreign exchange reserves have fallen by roughly a quarter in the past two years, according to IMF data. Still, at $563 billion as of July, Riyadh's cushion is about 240 times bigger than Caracas'. And in a world still starved for yield, investors piled into emerging-market debt this summer. It's likely Saudi Arabia will find ready takers for its new bonds.

So this isn't quite a case of it being the best of times and the worst of times; more like the worst of times and the absolutely godawful of times.This defines the current oil market. A couple of recent columns (here and here) discussed the central role capital markets have played in the course of the oil downturn of the past two years.

In short, supply has proven relatively resilient to low prices in part because producers -- especially U.S. independent exploration and production companies -- have convinced both the bond market and the equity market to buy new paper.

In this, they have been helped by the occasional nudges, largely rhetorical in nature, delivered by OPEC to convince the oil market that salvation in the form of coordinated supply cuts lies just around the corner. The apparent proto-agreement worked out in Algiers is the latest example.

The reality is that the glut of crude oil and refined products built up over the past few years sits poised to drop and potentially drown this market and the companies and countries that depend on it.Keeping those barrels in storage rather than having them dumped on the market depends largely on keeping alive expectations of higher prices in future, a theme energy economist Phil Verleger has explored in recent reports.

It is worth keeping that in mind as you read comments from Saudi Arabia's energy minister, Russian president Vladimir Putin, or anyone else with an interest in talking up oil prices ahead of next month's OPEC meeting.All of these disparate groups -- OPEC members, shale drillers, Russia -- are laboring under the excesses built up in the oil boom (which in some cases exacerbated existing structural weaknesses).

Saudi Arabia, for example, sensibly built up currency reserves, but its economy remains largely a system of patronage underpinned by oil. It is telling that, in its bond prospectus, the government estimates capital spending will have fallen this year by almost three-quarters but expects the budget deficit to have shrunk by a mere 1.5 percentage points of GDP to 13.5 percent.

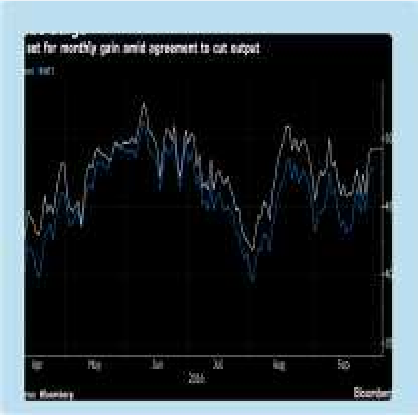
While enormously different in terms of degree, that state of affairs is in its own way as unsustainable as Venezuela's economic mess.Similarly, the U.S. E&P industry's habit of never living within cash flow has a startup-like quality -- an odd look for an industry that kicked off more than a century ago, and one which cannot go on forever.

All of these things have been apparent for years, but $100 oil and zero-percent interest rates obscured them for many investors and lenders (remember when Petrobras sold 100-year bonds nearly a year into the oil crash? Good times).The resulting build-up in the global oil industry's leverage -- going from $1 trillion to $3 trillion between 2006 and 2014, according to the Bank for International Settlements -- creates its own incentive for producers to keep going, whatever the price, just to keep up on interest payments, delaying the market's rebalancing further.

Of all the participants out there selling their own version of the oil investment story, it is clear Venezuela's is the weakest. It may be the first big producer to finally be cut off by lenders -- and thereby cut a big slug of supply from the market by default.Don't take that for granted, though. Last week's setback in PDVSA's and Venezuela's bonds looks like a blip in the context of this year's rally. Until capital markets make a meaningful supply cut, it'll be damn hard to get one in oil.

Russians and Saudis pledge joint effort to limit oil production

Bloomberg, *10.10.2016*



Saudi Arabia and Russia, the world's two largest crude oil producers, said they're ready to cooperate to limit output, helping send prices to a one-year high in London.

Russia is willing to join OPEC's efforts to stabilize the market, which would require either a freeze or a cut, President Vladimir Putin said on Monday at the World Energy Congress in Istanbul. Many producers outside the group have expressed a willingness to cooperate on output caps, said Saudi Arabia's Energy and Industry Minister Khalid Al-Falih, who added that he was "optimistic" there'll be a deal that could lift prices as high as $60 by year-end.

Coordinated output curbs by Russia and the Organization of Petroleum Exporting Countries, who together pump about half the world's oil, could boost fuel prices for consumers and revive the fortunes of a battered energy industry. While Putin's comments are the firmest indication yet that such an agreement is possible, Russia is still pumping at record levels and has stopped short of a commitment to pull back. OPEC members also have many hurdles to overcome before implementing their first cuts in eight years.

"It's a little bit early to start celebrating an agreement," Tord Lien, Norway's Petroleum and Energy Minister, said in an interview with Bloomberg TV on Monday. "They have made great progress, and this could end up in an agreement that will materialize around Christmas and the first quarter of next year."

Ministers from some of the largest oil-producing nations are gathering in Turkey this week to discuss ways to end a two-year supply glut. With benchmark Brent crude trading at about $53 a barrel -- less than half its price in mid-2014 -- countries including Saudi Arabia remain under severe economic pressure, prompting last month's surprise reversal of its policy of pumping without constraints.

OPEC agreed in principle on Sept. 28 in Algiers to limit output to a range of 32.5 million to 33 million barrels a day, compared with production last month of about 33.75 million. While the deal has helped lift crude prices by about 15 percent, precise details of who would make the cuts or whether producers outside the group would join weren't finalized.

An OPEC committee will work on the details of how to share the burden of cuts and present its proposals at a formal Nov. 30 meeting in Vienna. Ministers from some group members, including Saudi Arabia and Algeria, will meet with non-OPEC nations including Russia and Azerbaijan in Istanbul on Wednesday to discuss wider cooperation. "Russia is ready to join in joint measures to limit output and calls on other oil exporters to do the same," Putin said.

"In the current situation, we think that a freeze or even a cut in oil production is probably the only proper decision to preserve stability in the global energy market." So far this month, Russia has pumped crude and and a light oil called condensate at a rate of 11.2 million barrels a day, according to preliminary data from the Energy Ministry's CDU-TEK unit. If that continued for the whole month, it would set a post-Soviet record, beating September's 11.1 million barrels a day. Russia would prefer to freeze its output at current levels rather than make reductions, Energy Minister Alexander Novak said earlier Monday in Istanbul.

For the Algiers production deal to work, Saudi Arabia would need to make some cuts. The kingdom pumped 10.58 million barrels of crude a day in September, just shy of its July record of 10.66 million, according to data compiled by Bloomberg.

Brent prices reached a one-year high of $53.73 a barrel in London Monday. Both Saudi Arabia's Al-Falih and Bob Dudley, the chief executive officer of BP Plc, said that oil prices of about $60 a barrel by year-end are possible.

While traders have clearly welcomed the comments from Saudi Arabia and Russia, "caution may be the best practice," Naeem Aslam, chief market analyst at ThinkMarkets U.K. Ltd., said by e-mail. "If history tells us anything, it is that these major oil players also have the habit to not respect the agreed agreement."

Saudi minister optimistic about OPEC oil deal

WSJ, *10.10.2016*

Saudi Arabia's energy minister Khalid al-Falih said he was optimistic major oil producers could reach an agreement to cut production by November, helping boost crude prices that have been stuck in a two-year slump, reports Sarah Kent.

Speaking at an energy conference in Istanbul on Monday, the minister said many producers from outside the OPEC have signaled their willingness to work with OPEC to reduce oversupply in the market. Meanwhile oil prices switched to gains in mid morning trade after Russia said it would meet with members of OPEC and the International Energy Agency noted the oil market may re balance next year.

Brent crude, the global oil benchmark, was up 0.50% at $52.19 a barrel on London's ICE Futures exchange. On the New York Mercantile Exchange, West Texas Intermediate futures were trading down 0.04% at $49.82 a barrel. Investors have been in a "wait and see" mode since OPEC reached a tentative agreement last month to curtail its output. It is far from certain that the deal will be concluded. Iran's commitment to boosting its production has been a major stumbling block in reaching an agreement to date.

Energy company stocks have fallen weighing down bank shares, reports Riva Gold. Asian nations are stepping up their purchases of Iranian oil, underscoring Tehran's deepening energy ties with the region, reports Dan Strumpf and Jenny Hsu.

China, India, Japan and South Korea are among big Asian oil consumers that have sharply boosted their imports of Iranian crude this year. China and India are looking to further lock down Iranian supply, with a large planned investment in Iran's oil and gas infrastructure. Iran is seeking $130 billion worth of investment to bring its energy sector up to date after years of sanctions.

Fund investors wanting to bet on a rebound in the oil market need to watch out for "tracking error," reports Simon Constable. Tracking error in the markets is when price changes in a fund get out of sync with the underlying commodity. In the case of oil, those two things aren't in sync, at least for two of the biggest exchange-traded products that offer exposure to the oil market.

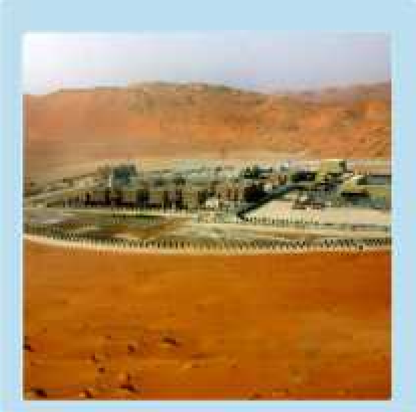
The tracking errors stem from a current trading pattern in the oil-futures market known as contango — when a commodity's price is lower than the forward price. A supply glut makes oil futures more expensive than oil purchased for immediate delivery and this cost manifests when a near-dated contract is sold and a new position established.

The price difference, which reflects the cost of storing a commodity and the capital used to carry the inventory, can take a bite out of investors' capital. Oil, stocks, bonds and gold are on track to finish the year with gains for the first time since 2010, reports Aaron Kuriloff.

It's a move that raises concerns that what went up together, could come down together. Investors have been backing away in recent weeks from some of the year's hottest trades, as gains in dividend-paying stocks, government bonds, gold and low-volatility funds have started to reverse. With investors now anticipating that the Federal Reserve will raise interest rates by December, some are betting on a further selloff.

Iran is stuck with China to finance its oil dreams

Bloomberg, *13.10.2016*



Amid the snake-infested marshlands on Iran's border with Iraq, the control room monitoring North Azadegan oil field is manned entirely by Chinese technicians. In central Tehran, hundreds of Chinese pour out at noon from the telecommunications company Huawei to its canteen.

There are Chinese expatriates here, some say they outnumber all other nationalities combined. A decade of international sanctions aimed at blocking Iran's nuclear program has left China the country's dominant investor. Now, with those restrictions formally lifted, a more pragmatic Iranian government has been trying to ease dependence.

"China has done enough investment in Iran," said Mansour Moazami, who was deputy oil minister until taking over as chairman of the massive Industrial Development & Renovation Organization this year. "We will provide opportunities and chances for others."

The tension illustrates a more nuanced situation in post-sanctions Iran than is often presented. Many in the U.S., including Donald Trump, portray Iran as the big winner from last year's nuclear sanctions deal as European companies rush into one of the world's last big, untapped emerging markets. Yet in Tehran, the government is attacked for failing to deliver and pandering to a still hostile West.

Western investors have been slow to arrive, forcing Iran back into the arms of the Chinese. That's especially true in the energy sector, where pressure to increase production is intense. Elsewhere, Western clearing banks still refuse to do business with Iran for fear of falling foul of non-nuclear U.S. sanctions that remain in effect, meaning Western companies can't raise project finance.

People including Moazami are becoming frustrated. His state conglomerate wants to raise $10 billion of foreign investment by the end of next year, for projects from shipbuilding to petrochemicals. "We need investment. What we expected has not happened yet, and this is what we need the Americans to solve," Moazami said. It is unclear whether new U.S. guidelines on sanctions published Oct. 7 will change the situation.

A "sense of being cheated" by the West is slowly sinking in among Iranians, according to Li Guofu of the Chinese Foreign Ministry's Institute of International Studies. "China sort of knows Iran is aware they actually don't have a great deal of options."

The sanctions period was a boon for China because other countries forced their companies to leave. From trading half as much with Iran as the European Union before sanctions, China had five times as much Iran commerce as the EU by 2014, tailing off since due to the falling price of oil.

From oil to automobiles to communications, Chinese companies moved in, often gaining their first major international contracts, said Majidreza Hariri, vice president of the Iran-China Chamber of Commerce. Mobile operator Huawei Technologies Co., for example, is building communications infrastructure in Iran, work that would otherwise have gone to Germany’s Siemens AG, he said.

China now wants to take the relationship further, hoping to rebuild its ancient Silk Road trade routes to Europe. In January, President Xi Jinping was the first world leader to visit Tehran after sanctions ended, promising $600 billion of trade over 10 years.

Yet the relationship has rarely been smooth. Although China has been one of Iran’s most important sources of weaponry and nuclear technologies since the 1980s, its leaders sacrificed those projects at key moments to protect relations with the U.S., according to a detailed account by John Garver of the Georgia Institute of Technology. When it needed more oil, China turned first to Saudi Arabia, Iran’s bitter rival.

Iran, too, has proved ambivalent, as its relationship with the world’s rising superpower became entangled in battles between moderates and conservatives. China won many of its contracts under former President Mahmoud Ahmadinejad, at a time when he was expanding the role of the Iranian Revolutionary Guard Corps throughout the economy. Now the government of President Hassan Rouhani wants to rebuild investment ties with other parts of the world and reduce the military’s economic footprint.

Nowhere has this complex Chinese-Iranian relationship played out more clearly than in the marshes and deserts of the North and South Azadegan oil fields, in southwestern Iran. China National Petroleum Corporation International took over in 2010, after sanctions forced Japan’s Inpex Corp. to leave, a pattern repeated at several other big Iranian oil and gas projects. Things began well, but then the Chinese slowed down, especially at the larger southern field, said Karamat Behbahani, the Texas-educated director of the North Azadegan project. The Chinese blamed pressure from the U.S. among other factors, he said.

After Rouhani replaced Ahmadinejad in 2013, the government began to complain loudly of Chinese failures to deliver. An Iranian company replaced the Chinese at a $4.7 billion offshore contract. In 2014, Oil Minister Bijan Zanganeh kicked the Chinese out of the South Azadegan oil field, one of the world’s largest greenfield projects with about 33 billion barrels in place. Other Chinese investments could be at risk, too, he warned.

China’s role hit a further low in 2014, when an environment official fined Chinese workers for hunting and eating soft-shelled Euphrates turtles, a protected species, in the sensitive wetlands that surround North Azadegan’s oil wells. (On a recent visit, water buffalo waded in the shallows and a mongoose climbed out of the reeds to rip the head from a snake.)

Pressure to develop Azadegan was growing, however. Iraq had contracted a consortium led by Royal Dutch Shell Plc to tap the reservoir it shares with Iran from the other side of the border. In April 2014, the Iraqi side exported its first shipment of oil. “It’s as though you have a nice cold drink with two straws in it,” said Behbahani, noting that Iraq was sucking on the other straw. “We should not lose any time.”

Behbahani said that while Western companies may have better technology than CNPCI, the Chinese were in place. Shell’s team is now pumping more than 200,000 barrels per day, compared to a combined 125,000 barrels at the two Azadegan fields.

“We did what we had to do, based on our national interest,” said Behbahani in his Tehran office. “If Total had been here, it would be Total taking the oil out. If it had been Shell, Shell.” At South Azadegan, without a foreign investor, the engineers in charge said they’re still four years away from completing the surface equipment needed to produce at full capacity. It’s lack of cash that’s slowing progress, rather than technology, they said -- even if they are envious of some Shell software that quickly maps out underground reservoirs, saving time and money.

Zanganeh, the oil minister, said in May that he was in talks with Total SA to take over South Azadegan, which is expected to be put up for tender later this month. But contract delays and the electoral calendar mean it’s likely to be at least 18 months before any big Western oil company starts work on an Iranian oil field, according to Homayoun Falakshahi, of Wood Mackenzie energy consultants. Total did not return phone calls and e-mail requests for comment.

In the meantime, Iran has softened its stance on Chinese investment, announcing exclusive talks with Chinese firms to continue with the second phases of the North Azadegan and nearby Yadaravan oil fields.

Zanganeh also seems to have compromised with conservative factions at home. The new international oil contract passed by parliament requires foreign investors to choose from a short list of licensed partners, including a conglomerate belonging to the Revolutionary Guard and another associated with Supreme Leader Ali Khamenei.

“This says to the regime’s conservatives that they won’t be excluded from the new contracts,” said Falakhshahi. Last week, the first of the new-style contracts -- to exploit the Yaran fields, smaller neighbors to North and South Azadegan -- went to an affiliate of the Supreme Leader’s conglomerate, Persia Oil and Gas Industry Development Co.

Iran’s oil ministry did not respond to requests for comment. The head of CNPCI in Iran declined to be interviewed for this article, as did the Chinese embassy in Tehran. CNPC’s headquarters in Beijing did not respond to e-mail and telephone requests for comment. Since the nuclear deal was reached, CNPCI has upped the pace at North Azadegan, hitting its 75,000 barrel-per-day contract commitment four months ago. That may be several years late, but “we aren’t holding our heads in our hands,” said Behbahani. With the help of a Chinese, rather than Western, oil company, Iran has begun sucking on its straw.

India receives first oil batch from Iran

Azernews, *13.10.2016*

Iran, which suffered a lot due to the sanctions imposed by the West, continues to take steps aimed at restoring its energy sphere and gaining back its market share.

The country, which has recently re-entered the world energy market, is now engaged in strengthening its cooperation with other countries. Iran delivered the first batch of its oil to Indian MRPL, which will keep it as a reserve in its underground strategic storage. The first batch with 260,000 tons of Iranian crude was received in a VLCC, which is considered to be one of the largest operating cargo vessels in the world.

Indian Oil Corporation, the biggest Indian oil company, earlier contracted to take some 5 million tons of crude oil from Iran in 2016-2017. The purchase of crude by one of the world's leading crude importers is expected to boost Iran's oil shipments.

India is building emergency storages in vast underground caverns at three locations located in southern India (Visakhapatnam, Mangalore, Padur) to hold a total of 36.87 million barrels of crude (which is considered to be enough to cover almost two weeks of demand), while main objective is to be secured against energy security risks, as the country imports about 80 percent of its oil needs. The country was earlier in talks with the United Arab Emirates' national oil company but negotiations stalled due to commercial terms.

The Visakhapatnam storage with its capacity of 1.33 million tons was commissioned in June 2015, while the Mangalore storage with its capacity of 1.5 tonns launched reception of oil on October 12. The facility in Padur will be ready by late 2016.

India has been raising oil imports from Iran since January, while Iran's daily crude exports to India surged to the highest level in 15 years in August. India's oil imports rose by 4.4 percent in September, as compared to the previous month, up to a record high of 4.47 million bpd, as the country expanded its refining capacity to meet growing fuel demand in the scope of expanding economy.

The country, which is currently the third-largest consumer behind the U.S. and China, recorded an increase of 17.7 percent in the level of consumption, as compared to the indices of 2015. Oil market, meanwhile, continues to keep an eye on Iranian export volumes, as pre-sanction levels is a precondition of the country for discussing cuts in production to boost crude prices and oust the problem of oversupply. Iran has repeatedly stated that it plans to increase oil output up to 4 mbd by March 2017, while Iranian oil exports have nearly doubled since sanctions were lifted in January 2016. China, India, Japan and South Korea are among big Asian oil consumers that have sharply boosted their imports of Iranian crude this year. Asian markets account for roughly 75% of Iran's crude oil exports.

The country has the fourth largest oil reserves and largest natural gas reserves in the world, while the country is also the third largest exporter of oil in the world. Crude oil production in the country reached 3.66 million barrels per day in September, according to OPEC.

OPEC is in its death throes

Foreign Policy, *10.10.2016*

Iran, which suffered a lot due to the sanctions imposed by the West, continues to take steps aimed at restoring its energy sphere and gaining back its market share.

The country, which has recently re-entered the world energy market, is now engaged in strengthening its cooperation with other countries. Iran delivered the first batch of its oil to Indian MRPL, which will keep it as a reserve in its underground strategic storage. The first batch with 260,000 tons of Iranian crude was received in a VLCC, which is considered to be one of the largest operating cargo vessels in the world.

Indian Oil Corporation, the biggest Indian oil company, earlier contracted to take some 5 million tons of crude oil from Iran in 2016-2017. The purchase of crude by one of the world's leading crude importers is expected to boost Iran's oil shipments.

India is building emergency storages in vast underground caverns at three locations located in southern India (Visakhapatnam, Mangalore, Padur) to hold a total of 36.87 million barrels of crude (which is considered to be enough to cover almost two weeks of demand), while main objective is to be secured against energy security risks, as the country imports about 80 percent of its oil needs. The country was earlier in talks with the United Arab Emirates' national oil company but negotiations stalled due to commercial terms. The Visakhapatnam storage with its capacity of 1.33 million tons was commissioned in June 2015, while the Mangalore storage with its capacity of 1.5 tonns launched reception of oil on October 12. The facility in Padur will be ready by late 2016.

India has been raising oil imports from Iran since January, while Iran's daily crude exports to India surged to the highest level in 15 years in August. India's oil imports rose by 4.4 percent in September, as compared to the previous month, up to a record high of 4.47 million bpd, as the country expanded its refining capacity to meet growing fuel demand in the scope of expanding economy.

The country, which is currently the third-largest consumer behind the U.S. and China, recorded an increase of 17.7 percent in the level of consumption, as compared to the indices of 2015. Oil market, meanwhile, continues to keep an eye on Iranian export volumes, as pre-sanction levels is a precondition of the country for discussing cuts in production to boost crude prices and oust the problem of oversupply.

Iran has repeatedly stated that it plans to increase oil output up to 4 mbd by March 2017, while Iranian oil exports have nearly doubled since sanctions were lifted in January 2016. China, India, Japan and South Korea are among big Asian oil consumers that have sharply boosted their imports of Iranian crude this year. Asian markets account for roughly 75% of Iran's crude oil exports.

The country has the fourth largest oil reserves and largest natural gas reserves in the world, while the country is also the third largest exporter of oil in the world. Crude oil production in the country reached 3.66 million barrels per day in September, according to OPEC.

How sanctions have benefited Russian oil

Oilprice, *07.10.2016*

Oil and gas producers have worked diligently to reduce the cost of their operations following the fall in crude oil prices at the end of 2014. Without $100 oil, E&P companies the world over were forced to find ways to cut costs in order to make their operations profitable.

On the whole, producers have reduced opex per barrel by 9 percent but a closer look shows that this is in large part due to Russia skewing the numbers. Russia has reduced opex by 30 percent, far exceeding the average. If it is removed from the data set, the average global reduction in opex is just 4 percent, and it still varies greatly by region.

Canada has reduced opex by 18 percent, while Wood Mackenzie has U.S. onshore opex unchanged between 2014 and 2015. The change in opex also varied depending on the type of operator, with National Oil Companies only managing a 1 percent decrease per barrel, compared to Majors, which reduced opex by over 5 percent, and IOCs (excluding Majors), which reduced costs by 8.5 percent.

Russia's unusual opex improvements are largely due to the country's currency, however, and not necessarily to operational efficiency. The ruble has decreased in value significantly against the dollar since 2014 when the exchange rate was roughly 34 rubles to the dollar. Today, a dollar is worth 62 rubles

The rapid devaluation of the ruble brought on by international sanctions and lower oil prices made it cheaper for Russian oil and gas operators to produce their dollar-denominated commodity. Since oil is sold in dollars globally, a devalued ruble was actually good news for Russian E&Ps facing lower oil prices.

Even as prices fell, the conversion from petrodollars back into rubles meant that Russian operators will still be paying less than before to produce from their assets. The CEO of Russia's largest bank – Sberbank – believes that the country may soon run out of its primary export as well. "When will we run out of this mono-product?

I think it's about 2028-2030, when we won't see a repetition of oil super cycle due to the all the perception and trends we currently see," said Sberbank CEO Herman Gref. Gref pointed out that, by macroeconomic standards, there is not much time to transform Russia's resource-based economy.

Germany: Winter outlook for power and gas prices

ICIS, *12.10.2016*

Energy traders in Germany face a risk-laden winter, with both power and gas markets exposed to potentially large pricing shifts. In a matter of weeks, the outlook for the German power market, usually large enough to shrug off supply shocks in neighbouring countries, has transformed.

Risk premium has been priced into winter products as traders have sought to guard against nuclear problems in France. But this means potential for downside, which a few weeks ago was typically limited, is now very real indeed. Gas traders should be in for a less bumpy ride, but as ever, the risk is very real going into the coldest months of the year.

For gas market participants, the real challenge will be balancing off major supply volume entering the country from the east, against British and Dutch demand from the west. The low wholesale power prices Germany saw last winter look unlikely to reoccur in coming months as a bullish mood has swept across the entire region.

Only recently, the outlook was different. In mid-September, the German Q4 '16 and Q1 '17 Baseload were trading below the average day-ahead price over the previous six months of winter, which was €29.20/MWh. But things changed very quickly, and the Q4 '16 Baseload expired at €33.60/MWh, ICIS figures show, while the Q1 '17 Baseload was last assessed on Monday at €35.43/MWh, above even the Q1 '16 peak during delivery which was €29.08/MWh according to exchange EPEX Spot data.

The recent gains of German winter contracts have been driven by concerns over low nuclear availability in France and coal price increases triggered by China's energy policy. Traders find both drivers hard to predict and winter contracts carry a hefty risk premium with nobody wanting to be caught short in the coldest months of the year.

In fact this pattern began to emerge over the summer, as the Q3 '16 Baseload delivered above its expiry value as frequent nuclear maintenance extensions in France took traders by surprise. Last winter, the Q1 '16 delivered €8.02/MWh below the Q4 '15, despite holidays reducing demand in December, as weather was mild and fuel prices at record lows in the first months of this year.

Quarterly contracts for this winter followed a similar pattern recently, with the Q1 ‘17 below the Q4 ‘16. But their spread has now reversed In line with movements on the European coal curve. One trader described mood on the German power market as “hysterical”, but it is hard to tell whether recent price spikes are an overreaction. “It depends on whether France will bring back nuclear capacity, but the [maintenance] schedule doesn’t seem to be holding,” one trader said.

If, against the expectations of market participants, the downward revisions of French nuclear availability forecasts stop and availability normalises soon as has been indicated by the country’s transmission system operator RTE, German winter power prices could plummet.

Prompt contracts at the German NCG and GASPOOL hubs may increase their usual discount to the equivalents traded on the British NBP during winter due to limited storage availability in Britain and ample supply from Russia. German storage facilities entered October 95% full, around 18 percentage points more than one year earlier.

Since the start of the winter, Germany has been receiving more than 200 million cubic metres (mcm)/day from Russia via the Nord Stream and Yamal pipelines. Meanwhile, the British Rough storage facility was taken offline in June, cutting the site’s injection period more than three months short. From 1 November, withdrawals will be possible again as 20 of the site’s 24 wells will be available.

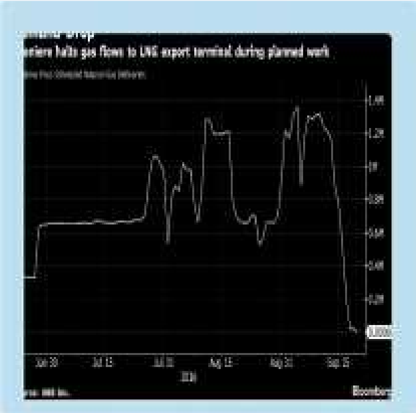
This means that Britain entered the heating season with around one-third less gas in store than one year earlier. Rough usually meets around 10% of demand during winter, and held 1.26 billion cubic metres (bcm) at the time of writing in October. This might mean that Britain will have to procure gas from foreign sources, including LNG and its European neighbours.

With this in mind, some traders on the German market think it would be possible for the NCG discount to the NBP to widen considerably during the coldest months of the season. During the fourth quarter of 2015, the average NBP Q1 ‘16 premium over the NCG was €0.50/MWh. During the first six sessions of this October, the NBP Q1 ‘17 held an average €0.827/MWh premium over the NCG equivalent. And this is only likely to widen further.

“German storage is full and GASPOOL will receive huge Russian volume which will be passed on to the NCG and then [the Dutch] TTF before it goes to Britain. The storage situation in Britain isn’t good so prices will rise to attract more volume,” one trader said, adding that British demand could pull up other European markets during winter.

America's about to double the shale gas it sends overseas

Bloomberg, *07.10.2016*



The U.S. is set to double the volume of shale natural gas it's sending abroad. Cheniere Energy Inc., which became the nation's first and only exporter of shale gas in February, was cleared by U.S. regulators to start loading tankers with lng from a second plant at its landmark Sabine Pass terminal.

The additional volumes of LNG will come at a testing time for the market, reeling from a worldwide glut that's set to worsen through 2020 as demand from key Asian customers slows. Still, the first exports from the lower 48 states have helped whittle down a U.S. surplus of the power-plant fuel and put Cheniere on the road to posting its debut profit.

"There will be big questions about where all of this gas is going to go and what it's going to do to European gas prices and power prices, in Asia as well," Ted Michael, an LNG analyst with Genscape Inc., said by phone from Auburn, California. "All of this will be driven by this flood of LNG coming out of Australia and the U.S. primarily."

Train 2, as the plant is known, began producing LNG on July 28 during the commissioning process. Trains 1 and 2 were shut in late September for planned work, which was expected to last about four weeks. Each has the capacity to produce the equivalent of about 650 million cubic feet a day. Next year, the company plans to bring online a third plant and start the commissioning of a fourth.

Sabine Pass took in 119 billion cubic feet of gas from April 1, which marked the start of the U.S. gas stockpiling season, through Sept. 9, ABB Inc. data show. During the same period, the country's supply glut versus the five-year average fell to 299 billion cubic feet from 874 billion.

By starting up two liquefaction plants, Cheniere will be able to start taking in fixed payments for 20 years from customers whether or not they decide to actually take any LNG from Sabine Pass. A contract with Royal Dutch Shell Plc goes into effect this December for Train 1, while one with Spain's Gas Natural Fenosa starts in September 2017, according to a company presentation earlier this year. Sabine Pass has demonstrated that the plant "can be expected to operate safely as designed," the energy commission said in approving it for service.

US: Weekly crude oil inventories increase

AA Energy Terminal, *14.10.2016*

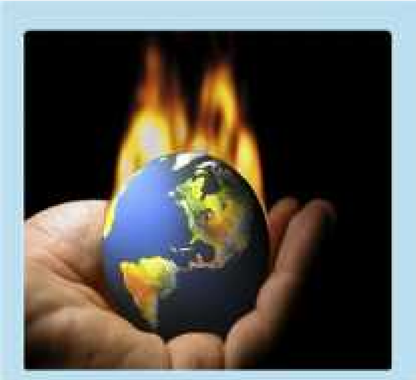
Crude oil inventories in the U.S. increased for the week ending Oct. 7, according to the EIA. Commercial crude oil stocks rose by 4.9 million barrels, or 1 percent, to reach 474 million barrels, the EIA data revealed. The market consensus was that inventories would decrease by 0.6 million barrels.

"Last week's rise in crude inventories was driven by another reduction in demand from refineries," said London-based research consultancy's U.S. Weekly Petroleum Status Report. "Indeed, refinery utilization fell to its lowest level since April 2013 due to a peak in refinery maintenance. In addition, imports rose slightly," noted Thomas Pugh.

Oil imports increased by 151 thousand barrels per day (bpd), to reach 7.86 million bpd, according to the EIA. Domestic crude production, however, fell slightly by 17 thousand (bpd) to 8.45 million for the week ending Oct. 5.

Energy security, climate change & sustainable development

Turkish Policy Quarterly, *30.09.2016*



The global economy has gone through an unprecedented economic crisis. The worst part may be over, but we are not out of the woods just yet. We are still faced with multiple challenges such as slow growth, unemployment, low trade flows, rising inequalities, low productivity, declining investment, and an overall lack of trust and confidence in governments, markets, and international institutions.

Growth has also been adversely affected by recent geostrategic developments in the Middle East and North Africa (MENA), as well as the ongoing turmoil in Ukraine.

They are all relatively new developments which have serious repercussions on the global economy. "The adoption of the SDGs in September 2015 at the UN General Assembly was a historic step taken by the international community as a means of achieving worldwide sustainable development."

Another major challenge of regional and global magnitude is irregular migration and the refugee crisis. The ongoing civil war and war of proxies in Syria, and the ensuing refugee crisis have far-reaching implications for Turkey and the international community. As a result, Turkey is now hosting the world's largest Syrian community, which reached 2.7 million in August 2016.

Obviously, all these challenges have direct bearing on the topic of sustainable development. Issues such as poverty, inequality, unemployment, poor education, climate change, scarcity of natural resources, environmental degradation, food insecurity, and lack of access to energy, water, and sanitation all have negative implications for our societies.

It is worth mentioning that the 2008 financial and economic crisis was a wake-up call. We witnessed just how vulnerable and interdependent our economies are. We saw that the system lacked not only resilience but also the institutional capacity to accurately assess and address the root causes of this crisis.

Plus, the crisis aggravated the already existing institutional problems faced by our economies and societies. As painful as this was for the world, this situation also forced us to seek new ways and approaches to create a more inclusive, resilient, and low carbon economy where all segments of our societies are able to live in dignity.

The economic crisis prompted various international organizations to search for a new development paradigm which would boost economic growth in a sustainable manner. A case in point is the Organisation for Economic Cooperation and Development (OECD)'s New Approaches to Economic Challenges (NAEC) initiative.

It is an innovative project to better understand and meet the challenges we face. NAEC was initially launched with a view to deal with the root causes of the crisis and to formulate policies to avoid the occurrence of future crises.

The adoption of the SDGs in September 2015 at the UN General Assembly was a historic step taken by the international community as a means of achieving worldwide sustainable development. In fact, the 2030 Agenda including SDGs and financing of development provides a comprehensive and robust framework for an economically, socially, and environmentally sustainable world.

The 2030 Agenda further incorporates international migration as a significant multidimensional reality that contributes to sustainable development in countries of origin, transit, and destination. The World Humanitarian Summit held in Istanbul on 23-24 May 2016 provided a unique opportunity to comprehensively address this issue.

"Energy demand will continue to grow steadily at a pace of 1.6 percent annually until the year 2030." Let us keep in mind that the Millennium Development Goals (MDGs) helped lift more than one billion people out of extreme poverty. It is expected that the SDGs, which are designed to further the MDGs in an ambitious manner, will improve the life quality for many others.

Alongside poverty eradication, food security, nutrition, health, education, and access to energy for all, these universal, [NV1] people-centered, and planet-sensitive 17 goals and 169 targets establish a delicate balance between the economic, social, and environmental aspects of sustainable development. The extent to which these goals are embraced not only by developing but also advanced countries will be crucial to how successful their implementation will be.

Energy is one of the engines of growth and the backbone of our economies. Therefore, access to energy for all is one of the most important goals for achieving sustainable development. Despite the slowdown in global energy demand due to slow growth around the world and effective energy efficiency policies, energy security will remain high on the international agenda and a top priority for international security in the decades to come.

According to the Paris-based International Energy Agency (IEA), as the world population increases, energy demand will continue to grow steadily at a pace of 1.6 percent annually until the year 2030, which is the deadline for meeting the SDGs. In order to satisfy the growing demand, we must make the best use of all available energy sources in a clean, efficient, and sustainable manner. The IEA predicts that between now and 2045, some 24 trillion dollars will be required just to keep the global energy system producing at today's levels. It will indeed be a challenge.

Even with low oil prices, it will be a challenge to meet such investment costs. The security concern surrounding major oil- and gas-producing countries is another challenge. The international community is facing the challenge of reducing emissions while meeting global energy demand, which will be driven predominantly by India, China, the Middle East, and Southeast Asia in the years to come.

“The challenge ahead of us is how to introduce a low carbon economic model without further slowing economic growth.” To achieve multiple goals, governments must take the necessary steps to switch to low carbon economic models.

Although the demand for coal is decreasing, its share in the global energy mix is still 29 percent. This illustrates the magnitude of our task. The challenge ahead of us is how to introduce a low carbon economic model without further slowing economic growth. To this end, first and foremost the share of renewable energy capacity, including wind, solar, and hydropower, should be increased by using the latest technologies, and the cost of doing so is declining.

In the latest World Energy Outlook, the IEA predicts that renewables will account for the largest share of growth in global energy supply. Nevertheless, it will take time and trillions of dollars of investment for renewables to become the dominant share in the primary energy mix.

According to the IEA, wind and solar represents only one percent of the world's energy use, other renewables such as hydro and biomass are at 12 percent. The falling cost of solar and wind power will increase the share of renewables in the global energy mix. However, fossil fuels such as oil, gas, and coal will continue to make up 49 percent of the global energy mix in 2030.

Given that CO_2 emissions resulting from the use of natural gas are half that of coal when burned for power generation, one of the ways to meet energy demand without harming economic growth is to replace heavy polluters such as old technology coal-fired power stations with gas-fired power plants. That being said, we should keep in mind that natural gas is still an expensive energy resource and cannot compete with coal in terms of price. However, if the US expands its export capacity towards Europe and the Far East, this situation might change in the near future.

As the energy sector is the major source of greenhouse gas emissions, the solution for sustainable growth and development is building a better energy mix and reducing the share of fossil fuels. Nuclear energy, which offers significant advantages, can play an extremely important role in this regard.

As a matter of fact, nuclear power is already a vital part of the energy infrastructure in many of the world's most developed economies. To be more specific, 58 nuclear power plants are in operation in France, providing 72 percent of its electricity generation. This figure is 40 percent in Sweden and 20 percent in the US. Although Germany decided to phase out its nuclear capacity, sufficient growth worldwide is still expected.

It follows that nuclear power is and will remain an important part of energy policy as it inherently works on long timelines. The IEA and the OECD-Nuclear Energy Agency (NEA) are confident that nuclear power has a bright future. Although the Fukushima Daiichi accident is still fresh in the minds of some countries, many other countries continue to value nuclear power as part of their energy mix. One of the reasons is the fact that unlike renewables, nuclear power plants can deliver the steady supply of baseload electricity needed to power their economies.

Nevertheless, for nuclear energy to be viable and environmentally sustainable, developing a culture of safety before commissioning new nuclear power plants should be a top priority for all players. During COP-21 – the 21st Session of the Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC) – representatives of 196 countries met in Paris to conclude a comprehensive agreement which applies to all countries. The aim of the agreement is to deal with the adverse effects of climate change and to keep the rise in global temperature below two degrees Celsius compared to preindustrial (1860) levels.

COP-21 proved to be a very successful event as it concluded with the signing of the Paris Agreement. The Paris Agreement represents a turning point for humanity and our planet. It is a historic achievement for the international community as all countries managed to act together to lower greenhouse gas emissions.

It is encouraging that so far 188 countries have declared their Intended Nationally Determined Contributions (INDCs) to reduce emissions. These pledges account for 95 percent of total emissions. INDCs are designed to enable all countries, developed and developing, to contribute to global efforts to combat climate change. However, we must admit that not all INDCs are ambitious, and some of the commitments that have been made may not be measurable or verifiable.

According to analyses, the commitments made to date would lead to an increase of 2.7 degrees in global temperature by the end of the century. In other words, they fall short of the two-degree target. Hence the need for new and ambitious commitments and additional measures such as eliminating fossil fuel subsidies and investing more in renewables and energy efficiency technologies.

The private sector has an important role to play as it is one of the essential actors in the delivery of long-term sustainable development. However, in order for the private sector to effectively play its role, governments must provide the necessary business environment and guarantee a level-playing field through legal, economic, and social measures. It is clear that major infrastructure and energy projects – which are vital for economic growth and the well-being of our societies – can only be realized if such measures are taken and effectively implemented. Trust and confidence in government is another vital component in this regard.

The global challenge we face today is achieving stronger and more inclusive growth and sustainable development which will benefit all, including the poor and vulnerable groups such as women and children. The international community is also faced with another problem, which is to provide safe, affordable, and uninterrupted energy for all while fighting climate change.

Achieving all these goals will not be easy. To be successful, the international community must work together and engage in more meaningful cooperation. Heads of states and governments should express their political will to this end. International organizations must do their part and contribute to the global agenda for the well-being of our people and the planet.

Announcements & Reports

► *The Low-Cost OPEC Cycle: The Big Elephant in the Room*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/10/The-Low-Cost-OPEC-Cycle-The-Big-Elephant-in-the-Room.pdf

► *Unconventional Gas in Argentina: Will it become a Game Changer?*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/10/Unconventional-Gas-in-Argentina-Will-it-become-a-Game-Changer-NG-113.pdf

► *Natural Gas Weekly Update*

Source : EIA
Weblink : http://www.eia.gov/naturalgas/weekly/

► *This Week in Petroleum*

Source : EIA
Weblink : http://www.eia.gov/petroleum/weekly/

Upcoming Events

► *International Conference on Oil Reserves & Production*

Date : 17 - 18 October 2016
Place : London, UK
Website : www.waset.org/conference/2016/10/london/ICORP

► *15th ERRA Energy Investment & Regulation Conference*

Date : 17 - 18 October 2016
Place : Budapest, Hungary
Website : http://erranet.org/InvestmentConferences/2016

► *The 8th Saudi Arabia International Oil & Gas Exhibition (SAOGE)*

Date : 17 - 19 October 2016
Place : Dammam, Saudi Arabia
Website : www.saoge.org

► 21st IENE National Conference "Energy and Development 2016"

Date : 24 - 25 October 2016
Place : Athens, Greece
Website : www.iene.eu

► SPE Russian Petroleum Technology Conference & Exhibition

Date : 24 - 26 October 2016
Place : Moscow, Russia
Website : www.spe.org/events/rpc/2016/

► Asia Pacific Oil & Gas Conference & Exhibition (APOGCE)

Date : 25 - 27 October 2016
Place : Perth, Australia
Website : www.spe.org/events/apogce/2016/

► International Conference & Expo on Oil & Gas

Date : 27 - 28 October 2016
Place : Rome, Italy
Website : www.oil-gas.conferenceseries.com/

► 4th Iran Europe Oil & Gas Summit

Date : 01 – 03 November 2016
Place : Berlin, Germany
Website : www.iransummit.com/

► 2nd International Conference & Expo on Oil & Gas

Date : 02 – 03 November 2016
Place : Istanbul, Turkey
Website : www.oil-gas.omicsgroup.com/

► European Autumn Gas Conference 2016

Date : 15 – 17 November 2016
Place : Hague, Netherlands
Website : http://www.theeagc.com/

► 21st Annual Oil & Gas of Turkmenistan (OGT) Conference 2016

Date : 16 – 17 November 2016
Place : Ashgabat, Turkmenistan
Website : http://www.ogt.theenergyexchange.co.uk/

► *Project Financing in Oil & Gas*

Date : 21 – 22 November 2016
Place : London, UK
Website : www.smi-online.co.uk/energy/uk/conference/Project-Financing-in-Oil-and-Gas

► *5th Greek Cyprus Energy Symposium*

Date : 29 - 30 November 2016
Place : Nicosia, Greek Cyprus
Website : www.iene.eu